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*An Encyclopedia of Useful  
Information*

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*General Editors*

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with methods of collecting payments from delinquent customers. The Traffic Department expedites the routing and receiving of freight shipments. The financial records of the company are kept by the Accounting Department, while the hiring of suitable employees is the responsibility of the Personnel Department.

**Special Departments.** Almost every business has other departments which are characteristic of its specialized activities. For example, a newspaper publishing concern has a circulation department, a book publishing house has an editorial department, an advertising firm has an art department, and a building concern has a drafting division. However, the departments that are to be described here constitute the basic framework of every business. Some of the more specialized departments, such as advertising, are treated in other articles in this business section.

### Relationship between Departments

In order to make clear the organization of the business, it is important for the General Manager to have a chart showing the division into departments. This chart will thus show to which person or group of persons each employee is responsible. For example, in the accompanying illustration, the window-display man is shown to be under the direction of the Advertising Department, which in turn is responsible to the Sales Manager. The chart given below corresponds to a business of the type that we will discuss in detail in this section, and each of the departments listed will be discussed in turn. In the chart the Office Manager's department is shown first, with the various clerical activities responsible to his department. In our discussion, however, we have separated the Clerical Department and placed it at the end, since the other departments bring out the principles of organization more clearly.

## Operating through Departments

### THE GENERAL OFFICE

The departments of a business are many and varied but every organization has a focal point of control. That central nerve is the office. The office handles all functions which are not directly related to buying and selling merchandise, collecting bills, hiring people, or storing goods. The office serves the other departments so that they may carry on their work without concern about the details of the clerical routine.

Of course, a small business is not faced with the organizational problems of a large staff. Voluminous correspondence may necessitate the creation of a stenographic section of the office to handle inquiries and answer mail. In turn, a large volume of mail may require the creation of a special mailing division and a filing section to take care of the correspondence. These various clerical activities are discussed at the end of this section as a separate department.

**The Office Manager.** The person charged directly with the supervision of the office is the Office Manager. He has an important task and should be a person with executive ability. He meets with other department heads to plan and coordinate activities. He hires people to carry out the functions of the office and so should have some training or experience in personnel work. A knowledge of accounting and finance is useful so that he may be better able to judge the relative importance of departments and to assist with full knowledge of the entire business picture. It is important that he be able to assign work so that no "bottlenecks" develop.

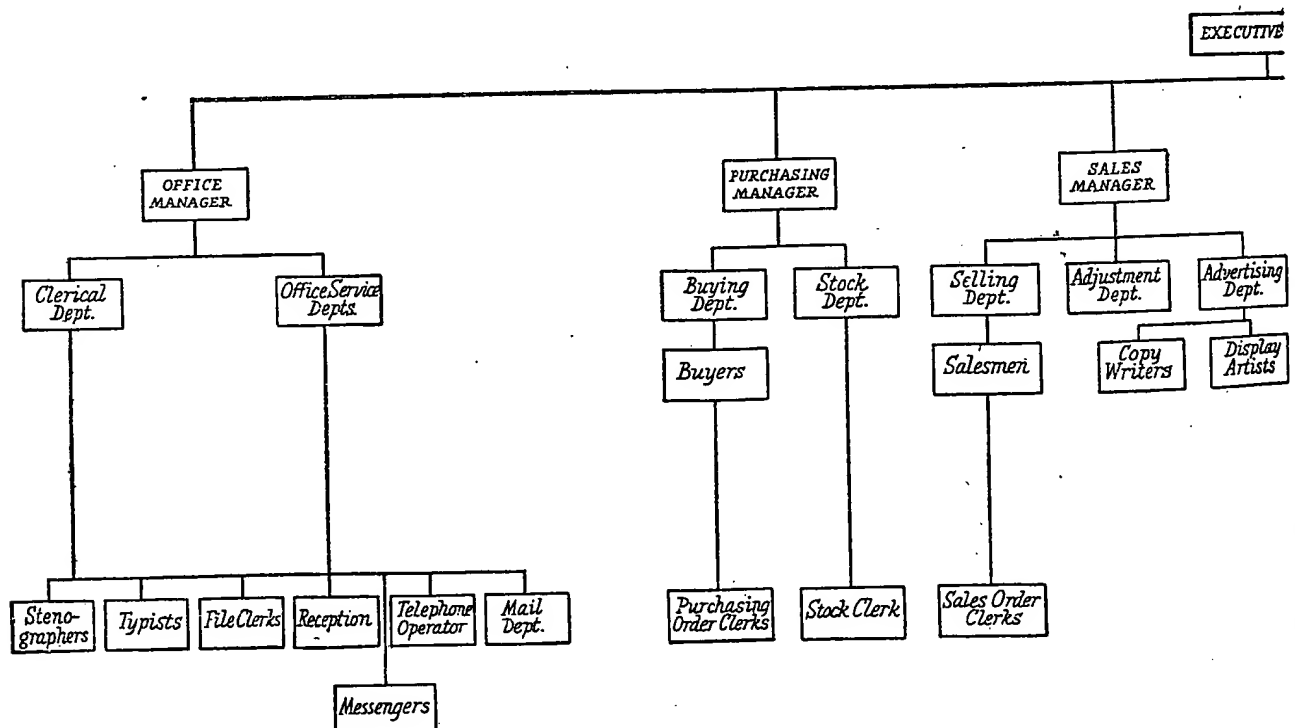


FIG. 1—Plan of organization of a

## Plans and Equipment for the General Office

**The Office Layout.** A good guiding principle for the office is maximum efficiency with the least number of assistants. The size of the staff, of course, depends upon the volume of business records flowing through the office, the machines available to do the job, and the type of business. Each office is based on its own needs. But there are principles governing all office layouts.

After ascertaining the available space, the lighting should receive the first consideration. Well-lighted offices are important since most paper work demands close application. Natural light is the best aid to good vision but this light is not always available. As a substitute, indirect lighting seems to be preferred. By keeping the reflectors and other parts of the lamps clean and free from dust, the efficiency of the lighting system can be maintained.

Proper ventilation is essential to good health. The modern office is air-conditioned to control the temperature and provide clean air.

Before purchasing equipment or business appliances, the office manager surveys the entire organization. He must find out for himself which departments are the most active so that movement between departments will be accomplished at maximum speed with a minimum amount of effort. The departments most closely related should be near each other, the Sales Department close to the Credit and Collection Department, the Purchasing Department placed near the Traffic Department.

We know that orders are going to be placed with the firm. Following the usual practice, such incoming orders reach the General Office first via the mails. The General Office after time-stamping the mail forwards it to the Sales Department. The clerk in the Sales Department will examine the order and, if it is from an old customer, check with the Credit and Collection Department to see if the customer's account is in good standing. If the account is a

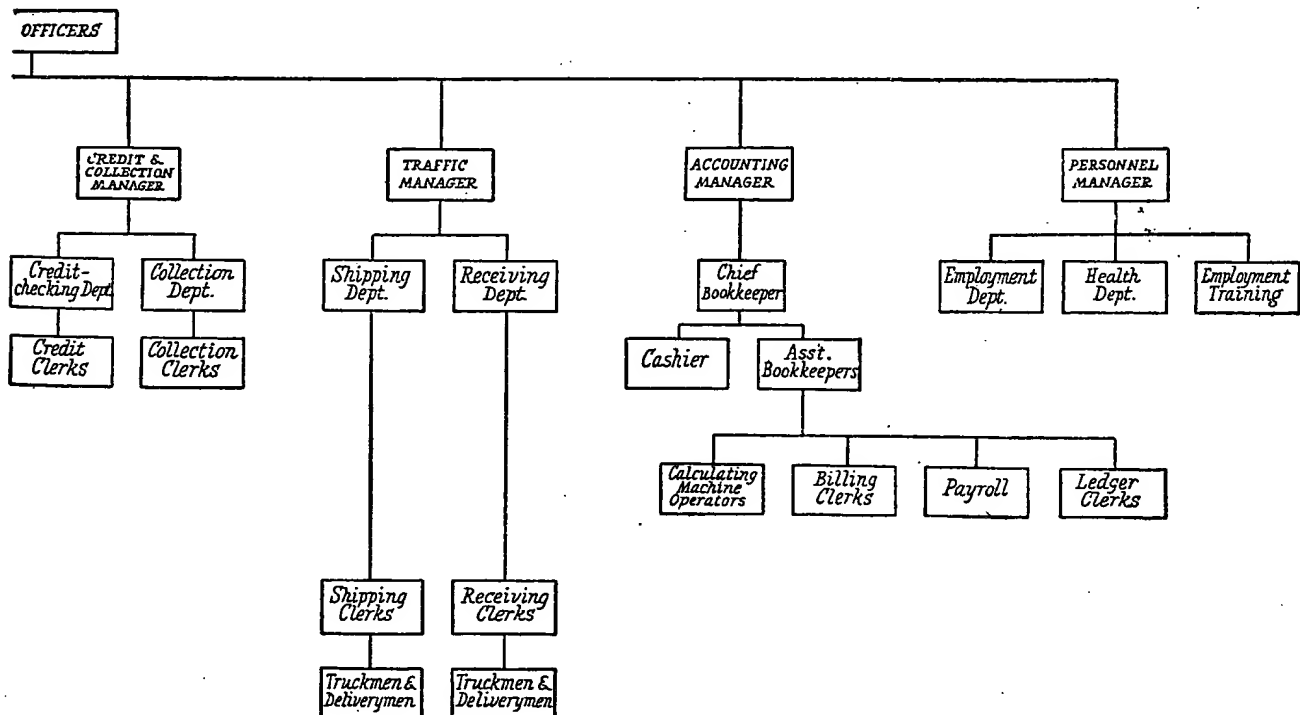
satisfactory one, the order will be filled. To do this, instructions are issued to the Traffic Department to forward the articles ordered. Since the Traffic Department handles the goods to be shipped, it should be located near the stockroom, which may be under its control or under the control of the Purchasing Department. Thus far, the General Office has dealt with the Sales Department, Credit and Collection Department, Traffic Department in that order. The Accounting Department prepares the bills so this division enters the picture, too, in order to complete the cycle.

Since the Traffic Department is on the ground floor or in the basement, communication with that branch may be accomplished by using the inter-departmental communication system of pneumatic tubes. Also, if the departments are arranged properly, the work has gone in one direction as nearly as possible without wasting effort or time.

**Office Equipment.** The Office Manager decides that certain machines and appliances will speed the work by cutting down the number of individual processes. Merely speeding the processes of office work is not enough to justify purchasing an expensive machine. A machine like the typewriter undoubtedly speeds the writing of correspondence and is used universally. But a dictating machine may not be worth its price if there is not enough correspondence to justify buying one.

The business machine companies will gladly furnish detailed information on the cost, use, and upkeep of their products. It is important to choose the right machine for the particular job, and by careful selection a machine may be found which suits more than one purpose.

The typewriter is a necessity in the modern office. By using this machine, carbon copies may be made which serve as records. Allied with the typewriter is the Dictaphone. This machine records letters or other matter on a wax cylinder. The typist plays the cylinder on a reproducing machine which is equipped



business firm, arranged by departments.

with earphones to shut out distracting noises, and types the matter recorded on the cylinder. Later, the cylinder is placed on a shaving machine and the message is thinned off so that the cylinder may be used many times before being discarded.

This machine has obvious advantages. For one thing, the executive can dictate at his leisure and after office hours. Secondly, the typist loses no time waiting for material.

Where correspondence is frequent, a machine may be used which cuts stencil plates on a typewriter adapted for the purpose. This stencil may then be used each time mail is addressed to the name on the stencil. The addressing machine may be used for other purposes employing the same principle. Bills, statements, advertising, and shipping orders, which are made in multiple copy, employ this machine profitably.

Another machine that uses a keyboard is a stenotype machine. Briefly, this device typewrites dictation on the machine. The paper is later removed and transcribed into regular form for business use, much as the stenographer transcribes her shorthand notes. This machine is faster than stenography, more accurate, and is legible to anyone knowing the system.

Billing machines are in common use only in large offices, since their cost is too high for offices where the quantity of bills is relatively small. These machines type and calculate in one operation in preparing a bill or statement of account.

There are adding machines and calculating machines. The former employs the principle of pressing keys and printing the amount on a tape. The total is obtained by pressing a lever at the conclusion of the operation. The calculator performs faster than the adding machine. The problem is first set up by striking the proper keys, and the mechanism produces the result on a dial.

Bookkeeping machines keep posting in line with transactions. Check protectors are used to stamp the check in such a manner that fraud is almost eliminated. The amount is impressed on a paper in figures and words. There are envelope openers for large volume mail handling. These slit the envelopes automatically without damaging the contents.

Time-stamping machines are used to record the date and hour of arrival of mail at the office. This fixes responsibility for delay in handling correspondence. Letter-folding machines are used to speed mailing. Envelope sealers and stamp affixers are in use in large organizations. This eliminates the tedious job of putting stamps on mail and, since the machine operates automatically, acts as a check upon the number of stamps used. Metered mail is used to a large extent also. Instead of affixing postage stamps, the required postage is printed on the mail. The machine prints the postage indicia and also cancels by recording the postmark at the same time. This postage meter saves the mailing department a great deal of time. Some of these machines imprint the required postage, postmark and seal, count, and stack, in the same process. Also, metered mail is already canceled. The Post Office omits these steps and dispatches the mail faster if it is pre-canceled.

Dictographs are in use. They are employed for interoffice communication where no written record is necessary. There are numerous other devices but not every office uses them. The size of the office,

company, volume of business and correspondence affect the number of appliances employed.

In addition to appliances and business machines, the Office Manager must select desks and other furniture to be used. The old, roll-top desk, for example, exists in very few modern organizations, having been replaced by the flat-top desk.

The stenographer also has a special desk built for her purpose. This desk has an opening for the typewriter to slide into when it is no longer needed. The drawers hold all stenographic supplies and the top is used as a flat desk when the typewriter is not being used.

The chair to be used with the desk has come in for a good deal of attention. The posture of the clerk is important, for it affects her general health and quality of work. The typist has a special adjustable chair to enable the spine and back to have support and thus lessen fatigue.

Filing equipment is an important part of the office. Letters, carbons, bills, receipts, and other data must be preserved in an orderly fashion. They must be put away in such a manner that reference will be easy and quick. There are various types of files but the large units are the vertical cabinet type. The visible files are used for cards or ledger records and are bound at their margins. A cellophane pocket makes the matter visible when the file is opened. The vertical cabinet file drawer is most commonly used.

**Office Supplies and Forms.** The office is charged with the responsibility of providing supplies of pencils, ink, erasers, and stationery for the entire organization. These items must be purchased, distributed, and accounted for. The Office Manager should, at the very beginning, try to arrange for standardized forms of letterheads, envelopes, and bills. The size of paper, the color, and grade should be agreed upon. This facilitates handling the mail and speeds the work of the filing department. Different colors may be used to represent various departments or divisions.

All these forms and supplies should be under the control of the Office Manager. All items in the stockroom are protected from dust and deterioration. The Office Manager issues the supplies as needed and the clerk is responsible for all such supplies delivered to him.

## Duties of the General Office

**Building Maintenance.** Someone has to be in charge of lighting, ventilation, maintenance, and repairs. The engineer is on the premises but his operations proceed according to orders given him by some higher authority. This person may be the Office Manager. He notes the condition of the building, whether it is clean and properly heated. Since all outsiders view the physical condition of the plant first, this phase of the Office Manager's supervision is important. Clean and well-managed premises also greatly contribute to the comfort of the employees.

**Cost of Office Services.** The maintenance and operation of the office entail the expenditure of a large amount of money. Correspondence and filing are expensive. How expensive depends upon the number of machines used, the type of business, and the number of employees at work. Machines and

properly trained employees will reduce the cost of office work to a great extent.

It may be possible to gauge the cost of production in the office. This would be desirable and possible only where the volume warrants such careful analysis. The value of such a gauge would be the possibility of setting up standard costs so that comparison could be made from time to time of the cost of filing, of typewriting, of delivering letters and packages.

Indeed, the other departments may not be over-anxious to secure office services if they are informed of the cost of such services. The Sales Manager, if given the cost of producing a sales letter, might be able to compute the advisability of a sales campaign of some magnitude and expense. Messengers might not be summoned so hastily for delivery of not-so-important items if the cost of such services were known.

The typist is in the position of having her exact production counted. The cyclometer records the actual number of strokes made on a machine. Paying on a stroke basis is not very just, however, as no account is made of the difficulty of the material being copied.

The salary being paid for any type of work depends upon too many factors to be set down with exactness. The local conditions of payment usually prevail. But the usual point that "you get what you pay for" governs. The higher-salaried clerk should produce better results and in the long run is cheaper from the viewpoint of cost to the management.

**Supervision and Control of Office Work.** Every business has established standards for employees to maintain. They have been trained to reach a desired goal, and some method must be used to determine whether or not results are comparable to the investment. The Office Manager may rely on reports submitted to him by the various division heads. Charts of performance accomplished in specific tasks may form a basis of comparison with other offices. The Office Manager's personal insight into the activities of his organization should reveal any weaknesses.

It must be remembered that overcomplicated records result in confusion. If it is a tremendous task to understand rules and regulations, the usual procedure is for employees to ignore them. These rules may be simple if the head of a department knows each man's job in his own department and understands the difficulties involved in carrying out particular instructions.

The incoming mail may be controlled indirectly, so as to start the day promptly, by appointing a member of the mailing staff to call for the mail himself instead of waiting for the postman.

Another way to supervise the activities of the office is the inspection by the Office Manager of all outgoing mail of a certain, unannounced day for the form of the letters, their contents, and tone.

Inspection of the files at random will reveal the condition of the filing department. Checking the petty-cash drawer may help to ascertain if the postage account is in order. Weighing parcels about to be mailed may reveal that the wrong classification is being used with consequent loss in postage to the firm.

Essentially, the Office Manager has to rely on reports submitted to him by the various division heads

under his supervision. Beyond that, personal observation will reveal "on the spot" defects and the Office Manager will try to remedy deficiencies by a proper course of action.

## THE PURCHASING DEPARTMENT

### Organization of the Department

#### The Value of an Efficient Purchasing Department.

The term Purchasing Department may have slightly different meanings depending on the type of business. In its most restricted sense, it may apply to the function of buying office and other supplies for the business itself. However, the meaning has been extended to include, in the case of a manufacturing concern, the buying of raw or unfinished materials for making into a finished product; also, in the case of a retail business, like a department store, the term may be considered as synonymous with Merchandising Department. In this latter instance, the Purchasing Department sends out specialized buyers who buy certain articles for resale by their store. If the public fails to buy these articles, the business stands that much of a loss. The same principle applies to the purchase of raw materials for processing into finished goods. If the finished product fails to satisfy the consumer, the business is headed for financial ruin unless the manufacturing program is quickly changed.

In addition to offering a product that the public demands, the price must be one that the customer is willing to pay. If the Purchasing Department has paid too much for the article now offered for sale, or if the raw materials cost more than their intrinsic worth, then the article cannot be sold at a price that will attract the greatest number of customers.

The Merchandise Manager must know whether his stock is adequate to meet demand. If it is a finished product being offered for sale direct to the public through a retail outlet such as a department store, the inventory on hand at any time must be known to the person in charge. Should stocks be permitted to fall below a minimum figure, then the store will be in the position of having customers but no goods to offer them. This means a loss of sales and consequent loss of profits.

Directly opposed to a lack of merchandise is the stocking of too much merchandise at any time. When goods on hand far exceed expected maximum consumer demand, capital is tied up in merchandise and cannot be used for other purposes. Goods may go out of style or deteriorate, and a loss usually results. Should prices fall, the value of the merchandise will have to be depreciated and losses assumed. In addition, surplus products require storage space which may be needed for other faster moving items.

In a large organization it may be advisable to have the buying done by more than one person. In addition to the Buyer, there may be Assistant Buyers who will be responsible for purchasing certain lines with which they are most familiar. These specialists enable the work of the Purchasing Department to be divided among several experts and help to increase the efficiency of the department as a unit. The Assistant Buyer is really the understudy for the Buyer. He usually conducts the department for his chief, who is frequently busy on the outside, as the work may call for considerable traveling. There are also

Purchase Order Clerks who keep accurate records of merchandise and prices. Their penmanship must be legible and their work neat in order to avoid error. There are other clerks who file catalogues systematically and do routine work in the Purchasing Department.

**The Merchandise Manager, Purchasing Agent, or Buyer.** The Buyer is a valuable person to the organization and has a very important task. He must be aware of all the products his company handles and requires. He has to know where the markets for the products exist. He must obtain data on the persons or organizations offering the merchandise he is in the market to buy. He must know the market prices or else the firm will lose profit if he overpays.

The Merchandise Manager or Purchasing Agent is usually familiar with the laws applicable to the buying of merchandise. He makes contracts for the firm and consequently must know something of the legal nature of contracts. He should know when title of ownership passes, who suffers the loss if goods are destroyed in transit, and many other legal technicalities. If the Merchandise Manager buys goods that are guaranteed "color fast," and the stock fades, he must know how to obtain compensation. The legal division will handle the technical details, but the Purchasing Agent can help the company to avoid many legal tangles if he is aware of the legal implications of his acts. An understanding of the Uniform Sales Act will help considerably.

The Purchasing Agent generally consults with the Sales Department for obvious reasons. The Sales Department of a retail organization sells what is bought, consequently there must be some agreement between the two departments before merchandise is stocked. In fact, some organizations combine the Sales and Purchase Departments into one, as the departments are so closely related. There must be equal cooperation between the two departments where raw materials are turned into finished goods.

Policy must be established as to the lines of merchandise to be handled. The Sales Department Manager may be thinking of an article which is a good seller at the moment but upon consulting with the Purchasing Department he may find that the article is soon to be superseded by a newer model.

The same principles hold true for a factory ordering raw materials. The Purchasing Agent, upon investigation, may discover that a new material is shortly to be placed on the market which will make the one ordered obsolete. Or he may have information that a new process will obviate the one now in use. By conveying this data to the proper department, money will be saved and the organization will be able to meet competition.

The Merchandise Manager or Purchasing Agent should have a sound business background with a knowledge of the laws of supply and demand and their relation to price levels. He should be sufficiently aware of world conditions in his field as they affect markets, sources of supply, and prices. He should be thoroughly experienced in merchandising his particular line of goods. To facilitate his work, the files must be complete with data on what is available, where it can be purchased, its price, and possible alternative products. Scientific reports on the commodity are of value and recent ones should be on hand. New avenues of supply must be known and explored for future possibilities.

Prevailing business conditions are an important factor governing the purchase of goods. It is obvious that overstocking in a period of falling prices will result in a loss of profit. Of course the opposite is also true. If the prices of raw materials or finished goods are rising, then it may be highly profitable for the company to buy over its needs.

**Relation of Purchasing Department to Other Departments.** The Purchasing Department keeps a mass of records. Catalogues, price lists, scientific data related to the products of the company should be filed in the Purchasing Department files. All records exclusively pertaining to Purchasing Department activities should be available at once. Material not desired promptly may be placed in the central office files.

The Purchasing Agent also works with the Accounting Department. Bills for merchandise are processed through the Accounting Department. Payments are authorized by the Purchasing Department but made through the Accounting Department. Returns are handled the same way. The final record is made in the Accounting Department.

The Traffic Manager receives the goods. He checks the shipment with the Purchase Order copy furnished by the Purchasing Department. Complaints, adjustments for shortages and damages are first noted by the Traffic Department, but the Purchasing Department makes the actual settlement with the seller. The Purchasing Department acts with the Traffic Department to keep the merchandise coming in at a steady pace.

**Centralizing the Purchasing Function.** The advantages of having one division buy for the entire organization are many. Should all departments of a business buy on their own account, confusion would result. The marketing cannot be done efficiently if several heads are "out to buy." The decentralized plan makes it impossible to secure men with the necessary background. Information on products and markets will be incomplete and unreliable. A specialist is an expert and is hired to buy under the best possible terms. He should be in charge of all buying for the entire firm.

## Functions of the Purchasing Department

**Buying Merchandise.** The Purchasing Department buys the merchandise or raw material. To do this effectively, the Purchasing Agent must gather data relative to the sources that will supply the needed material. This information is gathered by clerks under the direction of the Purchasing Agent.

Names of companies which supply material may be obtained from many sources. There are trade publications in which suppliers detail their offerings. Directories are issued which describe the product and indicate the manufacturers or other sellers. Manufacturers have trade associations and chambers of commerce which publicize their members and the line of goods for sale.

Finding the company which will supply an article is not too difficult. Diligent inquiry will reveal the desired information. Next, the prospective Buyer must ask, "Can we rely on the producer?" "Is his product dependable?" "What is his financial rating in the trade?" Some of the data may be obtained from financial manuals and from credit-reporting bureaus.



The best course of action is to consult with other purchasing agents who have dealt with the firm in question. Past actions will give a clue as to the dependability of a firm and its product. This data is usually obtainable from trade associations and organizations of purchasing agents. Finally, trial orders will soon reveal whether or not a particular source is a dependable one.

**Gathering Data on Price.** Information relative to a product and its price may be gathered in a number of ways. The simplest is to mail a request for specified material and ask for a price quotation. This information is then filed in the Purchasing Department for reference later on. Catalogues issued by the producer may be consulted for a brief description of the article and the price. Salesmen may call on the Purchasing Agent and offer the article which is desired, at an attractive price.

In the instance of a totally unknown product, a large order, or a seasonal line, the Purchasing Agent may visit the manufacturer and examine the product. Clothing, plumbing supplies, furniture, or leather goods may be examined by the Buyer in the showroom of the manufacturer. After examining the product and ascertaining the price, the Purchasing Agent may purchase immediately. That is the general purpose behind the maintenance of showrooms: to make a "spot sale." The safest procedure is to keep a record of all price quotations on a particular product. When the merchandise is to be ordered, a comparison of the different sources of supply and prices will help the Merchandise Manager to decide upon the vendor.

**Issuing Orders for Merchandise.** After the source of supply has been decided and information about the price has been gathered and found satisfactory, the order must be placed. The usual form is a Purchase Order which a clerk will prepare in manifold copies depending upon the system used by the organization. The Purchasing Agent merely signs the order, as he is the one having authority to act for the company when goods are bought. If the firm is not a large one, the Purchasing Agent will fill out the entire blank himself and send it along.

The order may be placed by phone and then followed up by an acknowledgment of the order. Or it may be placed as the Purchasing Agent is inspecting the showroom of the vendor. Then again a salesman may take the order during the course of his rounds. In any event, the subject matter of the order is definitely agreed upon, the parties are identified, the price stated, and signatures obtained. The order then assumes the status of an offer which may be converted into a contract when it is accepted by the vendor.

**Checking for Delivery of Goods.** Merchandise is ordered because it is needed on a certain date. If it fails to arrive, the firm may find itself without goods to offer for sale to the consumer. This is the opportunity to check the reliability of the vendor. He may have received the order because his price was lower than others; but should he fail to deliver on time, the saving due to lower prices was in reality a loss to the company that bought. Usually, dependability is a better gauge than price. A lower price does not mean a product equivalent to the one offered at a higher price. As a rule, an old-fashioned firm is preferable to the unknown who must first make his reputation. Reputations are made by of-

fering special inducements such as large discounts, free goods, faster delivery, and more advantageous terms.

In order to ascertain whether or not the goods have been delivered on time, inquiry at the Traffic Department may reveal that the goods are being unpacked and checked for contents. Should the goods not be on hand in the Traffic Department, a phone call to the vendor may reveal the desired information as to the time and date of delivery and the reason for the delay.

If the vendor is an out-of-town source, a letter of inquiry may be sent. This usually hurries matters along, as the seller wishes to retain the customer who he knows is anxious to receive the goods. In order to maintain his reputation, the seller will make a special effort to dispatch the merchandise promptly.

This follow-up function of the Purchasing Department's activities is very important. Should the goods fail to be on hand when requisitioned by other departments, operations may be seriously curtailed.

### Requirements of an Efficient Purchasing Department

**Pointers on Amount to Be Purchased.** Buying in quantity to obtain a lower price is a usual practice. Usually, the more of a given article you purchase, the lower will be the cost per unit. Hence, quantity purchases of an item at one time instead of periodic purchases of an equal total will result in a cheaper cost. Caution must be practiced, as the economy of quantity purchases can be stretched too far with disastrous results. Overstocking may result in losses should the market fall. But, in a period of stable prices, quantity purchases result in savings.

The Accounting Department, however, may prevent overstocking, as money invested in merchandise cannot be used elsewhere in the business. In addition, interest is being lost on the funds removed from investment sources. The cost of storage may make it inadvisable to purchase more goods.

**Merchandise Integrity.** A firm is known by the products it sells. The character and good will of a concern are highly valued intangibles which depend on the quality of the merchandise. The consumer is the final judge of the products purchased by the buyers for the company. The quality of its product is so important that possible savings in cost are usually ignored if paying a little less results in an inferior grade of merchandise.

The market must be estimated correctly. If the Sales Department decides that a lower cost item will sell on a competitive basis; then such a product may be purchased for resale. If the firm is interested in reaching the higher-priced markets, then a better product must be offered to the public. Generally, the public prefers quality to price and the firms with reputations for high standards are the long-established ones.

**Terms of a Purchase Contract.** The Purchasing Agent strives to get the merchandise as quickly as possible and as cheaply as he can, commensurate with the quality desired. In his endeavors to obtain goods rapidly, the Purchasing Agent must know or be able to determine when the goods are actually needed by the Sales Department. This leads him into difficulties, for too prompt acquisition of stock





for his organization. His experience and business contacts will provide him with accurate information about market conditions and sources of supply.

The order clerks in the Purchasing Department do the routine work which is essential as a basis for the Purchasing Agent's decisions. They receive the Purchase Requisition and prepare the data necessary to help the Buyer choose the supplies. The order clerks index catalogues, price quotations, and advertising bulletins, which may be helpful in choosing a product. These materials are filed in numerical order in a regular filing cabinet.

Index cards are prepared which list the name of the vendor and also the number of his catalogue or other material. Another set of index cards arranged according to subject is prepared. These cards list the article and the firm selling it and the catalogue number. The first set of cards is filed alphabetically according to the name of the merchant, and the second according to subject or article listed in the catalogue.

When Purchase Requisitions are received by the Purchasing Department, bids on the article desired are usually necessary. The files may need revision in the light of current conditions. Price quotations may be secured in order to determine the latest price for a quality product.

A letter to the firms supplying the merchandise will bring the desired information. Or a printed form giving all the requirements for the merchandise in detail will serve the same purpose. The form or letter must be so marked as to prevent the inquiry from being considered an order. A telephone call may accomplish the same result, but for future reference and for legal reasons written requests for prices and written price quotations are best. They prevent misunderstanding and ill-will later on if errors have been made.

**Preparing the Purchase Order.** The Purchasing Agent decides to place the order, basing his decision on information prepared by the order clerks. The Purchase Order is filled out and acts as a record of goods bought. It includes the following details from the Purchase Requisition: a number for filing purposes, the vendor's name and address, shipping instructions, date of delivery and specific methods of handling the shipment, the description and amount of merchandise, and finally the signature of the Purchasing Agent as authority to order merchandise.

The Purchase Order number is then entered along with the date and name of the vendor on the bottom of the Purchase Requisition to complete that record. The Purchase Requisition is filed by its own number in the Filled Requisition File. The Purchase Order is filed in the Unfilled Orders File.

The number of copies prepared varies with the organization. Three, four, or five copies may be used. One copy, the original, is sent to the vendor. Another is sent to the Traffic Department, which will receive the goods. A third copy is sent to the department which made the Purchase Requisition. A fourth may be sent to the Accounting Department and a fifth retained by the Purchasing Department for its records. Each copy has its purpose printed on it in bold type, such as "Purchase Order," "Accounting Department Copy," etc.

When the receiving division of the Traffic Department notifies the Purchasing Department that the

goods have been received, the clerk in the Purchasing Department checks his copy of the Purchase Order with the record of goods received submitted by the receiving clerk and then files the Purchase Order in the Filled Orders File.

In the event that the vendor cannot fill the order or is unable to supply part of it immediately, he notifies the Purchasing Department when he will be able to deliver. Should the company need the goods urgently, the order may have to be canceled and placed elsewhere. If part is accepted and part delayed, the Purchase Order is retained in the Unfilled Orders File until the entire shipment has been completed.

**Following up the Order.** The vendor, upon receipt of the Purchase Order, usually acknowledges and indicates that the order will be promptly attended to. The clerk in the Purchasing Department then has to follow-up on the order to make certain that it is being filled. This may be done in any manner deemed expedient. A common method is to prepare a Purchase Order Register. When the Purchase Orders are issued, the date and number of the order are recorded. The name and address of the vendor are also noted on the record. The date of expected arrival of the shipment, as indicated on the letter of acknowledgment, is noted. Columns are provided for the date of arrival of the merchandise and of the invoice.

This Register is more convenient for checking purposes than searching through the Unfilled Orders File to determine which orders have not been received. A glance at the Register will reveal the orders outstanding. The Purchase Order Register is a summary form used to help the Purchasing Department keep abreast of unfilled orders, filled orders, and invoices for goods purchased. It saves time and speeds the work of the clerks in the Purchasing Department.

**The Invoice.** The vendor submits an invoice for his merchandise. This invoice is received by the office, which stamps it with a company form. The stamp may be replaced by a printed slip for checking, but the purpose is the same, to check the items on the invoice.

The stamped invoice is sent to the receiving department. Here the clerk checks with his copy of the Purchase Order and notes the condition of the shipment. He then forwards the invoice to the Purchasing Department where prices and terms are checked with the Purchase Order. The invoice is then sent to the Accounting Department for further checking of extensions and additions.

**Summary of Purchase Routine.** The Purchasing Department buys merchandise or raw materials of a certain quality at the best price it can. The Merchandise Manager is in charge of all buying and he is trained by education and experience to buy efficiently. Under his supervision, data is gathered relative to sources of supply and prices. Purchase Orders are issued ordering goods. Records are kept which indicate the disposition of the order. The Purchasing Department is concerned with the merchandise after it is delivered to the company. It is advisable to place the storing of goods under the supervision of the Purchasing Department except in the case of manufacturing organizations who place the store-room under the department which uses most of the materials.

## The Purchasing Department and the Storeroom

The storekeeping division of the business, no matter under which department it is placed, is very important. Much capital is invested in merchandise and it is the function of the Storekeeper to store the goods properly, to issue the goods upon proper authorization, and to be able to account for all goods received.

Merchandise not to be sold immediately is stored until needed. The stock clerks check all goods sent to them from the Traffic Department, which received the shipment. For this purpose a copy of the Purchase Order is available. The goods are then stored in a systematic manner according to plans followed for storing goods in the particular company storeroom.

Freight elevators and hand trucks are needed. Steel shelves are installed to hold the merchandise. Each section is numbered to indicate what is being stored there, and bin cards or shelf tags are used to describe what is on the shelves and their location in the storeroom.

The stock clerk receives the goods from the receiving clerk working in the Traffic Department. He also receives a copy of what is known as the Individual Receiving Record, which was prepared in the receiving room. The stock clerk checks the shipment against the Receiving Record and his copy of the Purchase Requisition. If everything is satisfactory, the goods are then placed in stock. Since each type of merchandise has a stock number the location of the bin is easy.

In placing the goods on the shelves, the stock clerk places new shipments behind old so that "first in" will be "first out." The heavy cumbersome stock is placed close to the ground so that handling will be facilitated. Stock frequently called for is located close to the freight elevator so that it can be easily removed. Attention is also paid to methods of preventing deterioration, damage due to dirt and dust.

**The Stock Requisition.** Merchandise is issued from the stockroom upon written authorization. A form known as a Stock Requisition may be used. The department asking for material is required to sign for it upon receipt. Several copies of the Stock Requisition are used.

The original copy is sent to the Storekeeper as his receipt for the merchandise issued. A duplicate is sent to the Accounting Department and a triplicate is kept by the department requisitioning the goods. By requiring a signed receipt for all merchandise leaving the storeroom, the Storekeeper has at least one check on the goods in his charge.

**The Stock Record Card.** The Stock Record Card is a form of perpetual inventory. It contains the maximum and minimum amounts desired on hand at any time. By glancing at the "Quantity on Hand" column of the card, the clerk may know whether or not to requisition more merchandise.

The card contains columns for date, quantity received, quantity issued, quantity on hand, and may be checked by either the stock clerk or the storekeeper or any other supervisor by actually counting the merchandise on hand to see whether it agrees with the balance shown on the Stock Record Card.

The Stock Record Cards make the work of the Purchasing Department more efficient. By watch-

ing the movement of merchandise "in" and "out" of the storeroom, the Purchasing Agent can tell how fast merchandise is moving and then gauge his purchases accordingly. Slow-moving goods are not of much use to a retail concern and may be discontinued rather than be carried at a loss. Money tied up in such merchandise may be needed to buy a faster-moving line that can produce a profit.

The Sales Department also benefits when Stock Record Cards are used. By looking at the "balance" column of the card, the Sales Manager can see whether merchandise on hand warrants a "sale" of slow-moving articles. Dates of delivery cannot be guaranteed if the merchandise is not in stock. It will save the Manager from embarrassment to have this information available quickly.

Thefts of merchandise are restricted when there is a device in use which may reveal missing stock. If the Stock Card shows a balance of 30 door-knobs, there should be that many on the shelf. An arithmetical error may be committed, or goods may be issued without making a note releasing them. But, at least, the stock clerk is put on his guard when the actual count fails to agree with the written balance.

When the stock clerk notices that the merchandise is approaching the minimum, he notifies the Storekeeper. A Purchase Requisition is issued to the Purchasing Department stating the quantity desired and the date the merchandise is needed. The duplicate is filed in the Unfilled Purchase Requisition File of the storeroom.

The Purchasing Department then prepares the Purchase Order to acquire the goods needed. When these are received, the number of the Purchase Requisition as shown on the Receiving Record of the Traffic Department is noted by the stock clerk and the Unfilled Requisition is transferred to a Filled Purchase Requisition File.

**Physical Inventory.** In order to check the accuracy of the storeroom figures and to gather accurate data for financial statements, a physical inventory is taken once or twice a year. The stock clerks or independent clerks from the Accounting Department may take the inventory. The goods are listed at the cost or market price, whichever is lower. The amounts on the inventory list are then compared with the perpetual inventory cards to note discrepancies. Should there be a need for inventory figures during the year, the Stock Record Cards will have the data in the "Balance" column of each card.

Many methods are used to get a correct physical inventory. It is usually taken after regular hours. The clerks are assigned in pairs to count the stock. One counts while the other records the quantities called to him. Quantities are noted, stock numbers, and descriptions. The sheets are then collected, priced by the Purchasing Department, extended and totaled by the Accounting Department. The final totals should agree with the figures derived from the Stock Record Cards.

**Summary of Storekeeping Activities.** The storekeeping division of the Purchasing Department controls, stores, and distributes all merchandise received by the organization. By using Stock Record Cards perpetual inventories are available for checking and for financial statements. The Purchasing and Sales Departments, by analyzing the cards, gather data that helps them to buy and sell intelligently. The Stock Requisition makes a written au-

horization necessary before any merchandise leaves the storeroom (if raw materials are handled) or the stockroom (if finished goods are handled). A physical inventory checks the accuracy of the stock clerks and their records. All of this work is controlled and supervised by the Purchasing Manager.

## THE SALES DEPARTMENT

### Organization of the Sales Department

The Sales Department has as its main function the selling of goods or services at a profit. To achieve this goal, the cooperation of the entire organization is necessary. It is elementary that if the Sales Department does not function effectively no departments will be necessary.

The effective Sales Department will decide on a sales plan or policy in advance. The Sales Manager is the guide and mentor of the sales force. The department establishes the advertising policy of the company within budgetary limits after the advertising media has been selected and agreed upon by the executives of the business. The organization of the advertising branch of the Sales Department (unless advertising is made a separate department) must be arranged for effective sales promotion.

**What Is Salesmanship?** Salesmanship consists of an ability to make another person do as you wish—such as buying your product or patronizing your place of business. When you apply for a job you are practicing salesmanship.

Originally the function of salesmanship seemed to be the quantity selling of goods. If a customer needed one hat, salesmen tried to sell him two or three. Later the customer looked at his unwanted purchases and determined not to return to the store again. The modern function of salesmanship is to produce a satisfied customer who can be counted upon to return.

Salesmanship should produce profits to the vendor. If "bargain sales" are used, these items should not be pushed at the expense of goods at standard price. If the firm undersells competition there must be a good reason. Selling at a loss is not a good way to become a well-established firm. More likely, bankruptcy will result from such tactics.

**The Sales Manager.** Primarily, the Sales Manager is a good salesman familiar with marketing in all its phases. He must be tactful since he relies on the other departments of the business and meets with other department heads to decide various problems. He must be able to organize, direct, control, and supervise his department efficiently. He should have the ability to inspire the staff to greater effort, to spur them on.

Usually, the executives of the business determine the policies that the Sales Manager must follow. The types of products to be handled, the methods of distributing them, and the prices at which to offer the goods are largely determined by the executives, but the program is carried out by the Sales Manager.

He should be thoroughly familiar with his products and know where to sell them. Also, he must be able to recruit a sales force capable of selling the goods.

He must be able to forecast sales. Since the entire

enterprise depends on income from sales, some accurate figures must be produced upon which to base expense distribution and costs. In order to foretell sales income, records of the past must be kept and analyzed.

Sales records must be kept in great detail, according to all possible information. Dates of sales, products sold, places of sales, types of customers, uses of the product, must be recorded, summarized, and held available for analysis.

Even though detailed records may be kept, external conditions may intervene to unbalance a forecast. Sales of machines for instance, may not run on a straight line since the life of a machine is not constant in all factories. Luxury-goods sales may be upset by a depression or sudden change of style.

The forecast may be very accurate, depending upon the nature of the business. Consumer goods do not vary much in demand regardless of changes in the business cycle. People eat approximately the same amount of bread, drink about the same quantities of milk, despite the business changes taking place. The figures are very necessary for the Accounting Department to plan expenditures for the various phases of the business. The Sales Department gathers the data for itself as well as for other departments which may need the figures.

In a store, the Sales Manager may have another title but his duties increase instead of decrease. He has to secure a sales force, train it, supervise it, and keep it on the job. Customers must be attended to with promptness and courtesy. Merchandise must be on hand at all times, since a retail store has a fast turnover of goods.

A knowledge of the law on the part of the Sales Manager can help the company avoid legal tangles. An understanding of the Uniform Sales Act is particularly vital.

The Uniform Sales Act defines a sale and a contract to sell. "A sale of goods is an agreement whereby the seller transfers the property in goods to the buyer for a consideration called the price." "A contract to sell goods is a contract whereby the seller agrees to transfer the property in goods to the buyer for a consideration called the price." In a sale, title is transferred at the time of the sale. In a contract to sell, the title is transferred at some later date.

The question of who has title is important. Risk of loss follows the title. Bankruptcy, default of delivery, and fire are business risks. The question of the ownership of title helps to decide who suffers the loss. Remedies for breach of contract should be known. Warranties and their effect must be understood by the Sales Manager.

Many states provide for minimum retail prices established under certain conditions. Under these laws, a manufacturer registers his product to be sold at a certain minimum price by the retailer. The purpose of these laws is to prevent "loss leaders" from upsetting the market.

Under federal law, a seller may not sell his merchandise at different prices, regardless of quantities taken, unless he can prove that the prices vary because of the savings in cost resulting from the larger order.

**The Sales Force.** The type of merchandise being offered for sale will decide the class of salesman needed. A simple device like a stamp pad does not

## Business Organization and Operation

... a super-salesman to sell it, but a mowing machine or a new electrical appliance may necessitate men who have electrical or mechanical experience. If the prospective customer knows more about the product than the salesman, selling becomes difficult.

In all events, a salesman must have a personality that will please the prospective customer. The type of speech employed helps to sway a customer as do personal characteristics or traits. Good common sense will help the salesman greatly in his efforts to win people over to his way of thinking.

**Training the Sales Force.** In order to achieve results, the Sales Manager decides upon a training program for his staff and proceeds accordingly. He may apprentice a new man with an experienced salesman, or recommend courses in salesmanship at a business school.

Instruction on the finer points of the merchandise may help the salesman to win over his prospects. By furnishing the salesman with the answers to probable questions, he may have more confidence in the product and be able to sell more convincingly. A knowledge of the processes involved in the production of the article, acquired by frequent visits to the factory, may give the salesman many selling points.

A study of similar products in the field may produce selling points. When the prospect knows the features of a competitive product, the salesman must be ready with answers to swing the argument his way. If the salesman can prove that his product is better than any other, the way is paved for him to make a sale.

Department stores have thorough training programs for their sales personnel. In one large store complete courses are offered before one is a qualified salesperson.

First, regular classes are held in the store. The mechanics of salesmanship, such as filling out sales slips, operating a cash register, and arranging counter displays, are demonstrated and practiced.

Then, new salespeople undergo a period of apprenticeship. The experienced salesman supervises and directs the work of the new employee. Handling the merchandise is explained, wrapping illustrated, and making change properly is stressed.

In retail stores the salesperson is the one who represents the organization to the public. The customer has certain likes and dislikes and it is the salesperson's business to cater to them. The salesperson must be careful in his appearance, and naturally must know more about the goods than the customer.

The methods of sales education are many but the idea is the same: to produce more efficient salespeople. Meetings may be arranged to explain organization policy. Talks may be given on the stock for sale. How to approach a customer may be demonstrated and movies shown to illustrate the right and wrong methods of selling.

**The Salesman's Expenses.** The Sales Manager, after due deliberation and analysis, may decide on many courses to control the cost of selling on the road. He may fix on a figure to be spent on a particular itinerary. He may pay on a commission basis regardless of the cost of the trip, the cost being in the rate of commission. In any event, the

Salary with traveling expenses is another method of payment for services. However, the straight commission basis makes the salesman feel independent. He is "on his own." He goes after the big orders and puts all his effort there.

Variations have been used to induce maximum salesman effort. A small salary may be offered plus commission after a certain quota has been met. Higher commission rates may be offered on certain lines which are more profitable to the company.

### Functions of the Sales Department

**Competition and Sales.** Buyers try to secure as much as they can at the lowest cost to their company. Sellers, on the other hand, try to sell at the highest price obtainable for a portion of their goods. But in order to sell at a lower price than a competitor, companies produce in huge quantities in order to lower the cost of production per unit. The quality of products may be lowered in order to reduce the price.

Often the selling price of an article is controlled by the competitor's price. If prices cannot be met, it is impossible to continue selling in the competitor's territory. This competition forces the Sales Department to greater selling effort and at the same time increases the cost of selling the product.

The price may not be the deciding factor in a sale. A low price for a poorly made article is no guarantee of a wide market, as the consumer may be looking for a better quality in that line. But, generally speaking, if two similar products are offered by competing firms, the lower-priced article will sell better.

**Analyzing the Consumer Market.** All selling policies center on the potential customer. The customer expects to find a certain product at his dealer's, and when it is not there he will usually buy the product of a competitor. In other words, the Sales Department must see that the product is available to the customer.

The product must also be what it purports to be. When a customer discovers that a product is not what its manufacturer represents it to be, he naturally resents the dishonesty. The customer's goodwill is irrevocably lost.

The Sales Department must take into account various business conditions. In a farming community, for instance, crop returns and prices govern the farmers' spending power. Also, in some lines of production, there is a sharp variation in demand according to seasons.

The Sales Manager must have information on the places that can serve as an efficient outlet for his merchandise. It must be a place frequented by people who are likely to be customers for the particular product. Or a thoroughly educated salesman may be needed to sell his particular product. Demonstration, accompanied by a convincing description of the article, perhaps will be necessary.

"A satisfied customer is our best advertisement" is a truism in all Sales Departments. If the salesman can sell a product and give the customer satisfaction, then a real sale has been made. Word-of-mouth advertising is free advertising and very effective.

An analysis of what the customer wants is also of benefit to the Purchasing Department. The methods

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may be kept for this purpose. The sales of types of merchandise, styles, colors, and prices are noted. Trade journals and newspapers will give essential information. A corps of shoppers may be employed to find out what competitors are offering for sale in a similar line.

Perhaps the public wants more service with the merchandise. This can be determined by sending questionnaires to the buyers of the serviced products. Such servicing may increase sales remarkably through increased good will.

**Service to the Customer.** Merchandise that requires initial installation and servicing offers an opportunity to build good will. Of course, such servicing adds to the cost of the sale but the expense is justified on the basis of increased sales.

Washing machines, gas ranges, electric fixtures, machines of the industrial type may be installed. Some firms "service" their product for a stated period to be sure it operates efficiently, while others give advice on how to maintain the machine in good condition. Usually, the company introducing a new machine to the market tries to impress the public by the extent of its free service.

Increased sales have proved that installation and servicing are worth the expense involved. Customers' objections were overcome when they knew that the machine would be serviced during the "break-in" period.

In the retailing business, service is of a different kind. The conveniences provided by the store for the customer build goodwill. Most important is an efficient delivery service, but there are other services that may be offered for the customer's convenience. Checking of parcels to provide more comfortable shopping is a worth-while free service. Lessons in knitting and sewing help to sell the goods and at the same time give the store free publicity. Cafeteria service helps to extend the shopping period and put the customer in a better frame of mind.

The idea behind all service is to please the customer. Even though the average customer knows that the cost of such free services is added to the selling price of the merchandise, he feels that he is being well-treated and tells his friends. This helps to expand sales and profits.

**How the Consumers Pay.** The Sales Department has to acquire information on how people like to pay for the goods they buy. Installment buying has been widespread because it was proved through greater sales volume that people liked to buy on that plan. Should polls be taken or statistics analyzed showing a trend towards cash buying, then sales plans must be made accordingly. The payment plan must appeal to the customer or he won't buy.

Retail stores have several plans. The major portion of sales is made on an "over-the-counter" basis for cash. There are charge accounts and installment plans for those who want them. The object is to increase sales by giving the customer his choice of payment.

**How the Merchandise Is Packaged.** It has been proved that an appealing package will sell an article, while an unattractive or bulky box hinders sales no matter how worth-while the product.

It is possible to prove the desirability of one type of package over another by packaging the article in several different containers and then noting which sells best in a comparable sales territory.

**Cost of Distribution.** Usually, more money is invested in the actual selling of the article than in the original cost. The various middlemen tend to increase the price of the article that is finally offered to the consumer, and the greater attention that is given to packaging the article has also added to its cost.

It pays to find out what it actually costs to sell the article. Volume may be high and yet the profit may be negligible because the cost of advertising and distribution consumes the profits. It may be better to reduce the advertising expense and perhaps raise prices in order to make a reasonable rate of profit on the sale.

Volume sales are useless if profits do not keep pace with increased sales. A vigorous sales campaign may result in tremendous sales and little profit. Analysis of results may dictate a concentration of effort elsewhere.

**How Merchandise is Distributed.** A product has been decided upon, the probable market determined, the price tentatively established. The question remains, how to distribute the merchandise.

One method which has been widely used is the direct sale from the producer to the consumer. The tailor makes a suit and sells it to the wearer. The farmer frequently sells directly to the consumer.

The complexities of modern business have made it impossible, however, to sell direct to the consumer in most cases. The producer has widened his market and now the customer is removed from the producer. Methods of shipment and packaging, plus large-scale advertising, have entered the picture and changed the old direct-sale methods.

**From Producer to Retailer.** Distribution from producer to retailer eliminates many middlemen but increases the cost of distribution. More salesmen are necessary to reach the retailer than if middlemen are used for that purpose. The volume of sales, on the other hand, may not increase in proportion to the increase in the cost of distribution.

The Credit Department has more work since retailers have to be investigated. Correspondingly, bad debts increase. To meet all these increased costs the manufacturer has to raise his price or reduce his profit. Raising prices would tip the scales in the competitor's favor. Reducing profits is scarcely desirable. However, direct producer-to-retailer distribution has its advantages. Sales are distributed on a level basis. Instead of "peaks" and "valleys" in the sales chart, there is an even flow. Retailers do not buy in large quantities as jobbers or wholesalers do. Their purchases are constant. This relieves the organization of rush orders and jammed production lines and then idle periods followed by overtime production when orders from jobbers come in again. Direct selling to retailers is to a great extent the chain-store or cooperative system.

**The Middleman and His Functions.** People with inadequate knowledge often claim that prices could be reduced if the middlemen were eliminated. These people do not know the functions of the middlemen.

They buy in quantity and store the goods until they are needed. They sell in small lots and transport the goods to the retailers. They suffer losses due to damage and deterioration. If merchandise does not appeal to the public and does not sell, the middleman loses. They furnish credit to retailers and suffer from bad debts.



The mail-order house is an attempt to reduce the number of middlemen between producer and consumer. The department store, chain store, producers' cooperatives, consumers' cooperatives, represent other devices aimed at a reduction of middlemen. Nevertheless, the middlemen have an essential place in modern business.

Some middlemen buy from the producer and sell to the retailer. Others sell direct to the consumer. Most manufactured goods are distributed through middlemen. The manufacturer prefers this method of disposing of his goods, thus avoiding the necessity of a large sales force to sell to small merchants. His wholesalers become, in effect, his salesmen. The entire product or most of it is sold at once or in advance of production if a large wholesaler or jobber contracts with the manufacturer for the entire output. This reduces transportation, storing, insuring, and handling costs.

The retailer, on the other hand, benefits when middlemen distribute the goods instead of the manufacturer or producer. He has variety of selection. The jobber is in a position to offer several products at one time. This saves the retailer the trouble of doing business with representatives of several companies and waiting for each company to deliver its goods.

The retailer buys in small quantities since he has little storage space. This would be impossible if purchases were made from the manufacturer. At the same time, he avoids a large investment in stock. As soon as goods are sold, the retailer phones his jobber and secures more. Delivery is prompt and efficient.

The manufacturer may be his own middleman. This type of distribution necessitates the maintenance of warehouses and huge stocks of merchandise. The factory ships to a central warehouse and then goods are distributed to the stores. The manufacturer may maintain his own retail stores and sell direct to the consumers.

The type of distribution finally decided upon depends on individual problems. Management weighs the methods and selects its channels of distribution. If circumstances warrant, these outlets may be changed until the most desirable one is found.

### Requirements of an Efficient Sales Department

**Cooperation with Other Departments.** As mentioned previously, the Sales Department functions effectively only when full cooperation is secured from the other departments. Figures for sales breakdown and statistical analysis are compiled by the Accounting Department. Sales prices and plans are often changed after consultation with the Accounting Department. This department needs figures regarding sales of merchandise in order to make provision for credit accounts with customers and for partial losses on accounts receivable when customers fail to pay.

Goods sold are delivered through the Traffic Department. If merchandise is damaged in transit, the Sales Department investigates and makes the adjustment. Goodwill is important and special effort must be made to deliver the goods in condition for use.

disse which is sold through the efforts of the Sales Department. Policies as to what is to be bought for resale and the quantities necessary are a result of the planning of the two departments.

Before goods are shipped to prospective customers the Credit Department passes on the advisability of selling to the prospect. Sales made to the wrong people may cost the company a great deal of money through loss of merchandise and the increased costs of collecting from delinquent accounts.

**Securing Better Results from Sales.** It is important to analyze the entire sale: cost of goods, selling expense, and profit. By comparing the results of various salesmen, valuable data may be secured. Only in this way can the company know which are the most profitable territories and items. A salesman may produce a large dollar volume of sales by selling the popular numbers that have a low profit rate. Another may sell less in dollars yet he may be securing sales in the high-profit-making line.

If an analysis of items sold is made on a dollar basis for comparable territories, some lines in a certain district may be discontinued for failure to produce profits equal to the effort made to sell the goods there. On the other hand, good territories may stand out and possibilities for further sales effort may be revealed. It may be found necessary to increase advertising in order to produce a greater volume of sales and profits in a given area.

It is important also for the Sales Department to reduce to a minimum the returned orders.

Policy must be established relative to the return of goods and allowances agreed upon. Handling of the returned merchandise must be planned for future sales to customers, depending upon the proper disposition of the returns of all or part of an order. In retail stores it is impossible to eliminate the return of merchandise. These returns are very troublesome. They must be put in shape for resale and again be delivered. The goods are put in stock usually at a mark-down and this adds to the selling price of the other merchandise.

Some establishments set a time limit for the return of merchandise. Meetings of Credit Managers, Sales Managers, and the executives of the store determine the cause of returned goods and eliminate the chief cause of complaint.

**Sales Department Records.** Customers may inquire as to the status of their orders. When is shipment to be expected? Are new lines in progress? Is the shape of the package being altered? Information must be available to answer these and other questions that may arise.

Sales quotas are set up in advance. Each salesman is given a goal to meet for his territory over a certain period. This requires forecasting since it is inadvisable to set a goal in excess of sales possibilities. Then comparison must be made between actual sales and the quota. Reasons for differences must be understood and the quotas adjusted up or down.

Records are accumulated concerning salesmen's expense accounts. The wasteful salesman must be apprehended and educated to the results of such extravagance.

The accounting records will reveal other pertinent data. The accounts-receivable ledger will give information relative to the status of sales to customers, collections, and outstanding accounts. In addition, sales may be analyzed by commodities

The cost of making sales will be compiled in the proper books of account.

**Routine Handling of the Sales Order.** When a painter enters a store and buys a one-gallon can of paint there is no clerical difficulty. A slip may be made out, the paint handed over the counter, payment made, and the sale is closed.

If the painter is a contractor he might order 100 gallons of paint of different colors. He might place the order in person but this would be unlikely. The painter most likely would be busy and would mail the order, telephone, or place his order with a salesman.

When an order comes in by phone the Sales Department receives it. An order clerk in the department makes a copy of the order in triplicate or as many copies as are necessary. The order has a number on it, the date, customer's name and address, terms of the sale, quantity and price of the merchandise, and the clerk's signature.

When salesmen canvas the city and obtain orders, they bring them in at the end of the day. The salesmen have order books and make several copies of the order. The original is held by the customer, and the duplicate with the customer's signature is brought to the Sales Manager, who inspects it and turns it over to the sales order clerk. The clerk then prepares multiple copies for house purposes.

The mail brings orders from salesmen on the road. A mail clerk opens the mail and stamps the date and time of receipt. The mail is then sent to the Sales Department where a sales order clerk puts a number on the order and records the order in a Sales Order Register. This is done to prevent loss of the order in the event of carelessness or accident.

The order is examined carefully for correct customer's name and address, terms, method of shipment desired, salesman's name, description of merchandise, prices, and extensions. This inspection prevents incorrect billing later on. Correspondence does not go astray because a name is illegible or an address is blurred.

The next step is to have the Credit Department pass on the customer's credit rating. If it is approved, the order is returned to the order clerk and house order copies are prepared.

A typewriter may be used for carbon copies but if many copies are needed a billing machine may be used. The number of copies depends upon the departments of the company. The stockroom needs a copy in order to fill the order. If there are several items needed, each stock section would require a copy. The shipping room needs a copy for the purpose of filling out the Bills of Lading and comparing the shipment with the order. The billing clerk needs a copy in order to prepare the proper bill as soon as the order is ready to go out. A manufacturing department may need a copy of the order so as to prepare the material for a definite date. A copy is kept for the Unfilled Orders File in the Sales Department.

By preparing multiple copies much time may be saved. Each department proceeds to do its work without having to wait for the other department. While the stock clerk in one section is filling his part of the order, other stock clerks do not have to wait for instructions. A copy of the order tells them what else is needed. Bill of Lading may be prepared ready to accompany the shipment the moment it is ready.

Another factor governing the preparation of the number of copies is concerned with the analysis of the order. A clerk analyzes each order to see whether the merchandise ordered is available, whether it must be manufactured by the company, or can be bought outside. If the goods are in stock, the order may be filled from stock. If the merchandise is not in stock, the Purchasing Department will have to be notified, and if the goods are to be manufactured the factory must be informed. Orders go only to the departments directly involved; hence it is necessary to analyze the order in advance to determine how many copies will be needed.

In filling the order from stock, complications may arise. Many items may be involved and several sections of the stockroom. The various articles of merchandise should be assembled in one place and brought out of the stockroom as one unit.

The packing list has been prepared in advance as one of the multiple copies of the order. This is in accordance with order routing as planned by the Sales Department. Each article is packed in the proper manner and checked on the packing list. The list is then enclosed in the package.

The Traffic Department handles the actual shipping end of the routine. This involves marking the package properly and filling out shipping documents such as Bills of Lading or express receipts. If sent by mail, correct postage must be affixed. The merchandise is then dispatched.

The Accounting Department is then notified that the order has been shipped. The bill is checked with the Traffic Department copy and the customer's account charged with the amount of the sale. If the bill is paid, the Accounting Department credits the customer's account. If it is not paid, the Collection Department receives a copy of the bill for action.

To summarize the steps in filling an order: When the order comes in, an order clerk in the Sales Department will record the order in a Sales Order Register listing all the essential facts.

Next, the Credit Department receives the order for approval or disapproval. If it is approved, a clerk in the Sales Department analyzes it to see whether it can be filled from goods in the stockroom or if they must be processed in the factory or purchased outside.

If it can be filled from stock, copies of the order that apply to that particular department are sent there. Other departments also receive copies of the order. The original goes to the Traffic Department for shipping. A duplicate is filed in the Unfilled Orders File of the Sales Department. A third copy is sent to the Accounting Department, while a fourth may be used for the Purchasing Department files.

The stockroom fills the order and sends it on to the Traffic Department for shipment. When the order has been shipped, the Traffic Department sends its copy back to the Sales Department together with the shipping documents. The bill is compared with the original order and the unfilled-order form is filed with the filled order.

## Sales Adjustments

**Adjustment Department.** It is practically impossible to eliminate all returns of goods by customers. It has been estimated that approximately 12% of

gross sales in the retail trade is returned by dissatisfied purchasers. The estimate is somewhat lower for the return of manufactured products but is still high enough to affect the cost of marketing. The Adjustment Department which handles these returned goods usually is under the supervision of the Sales Manager since adjustments are an extension of the duties of his department.

In addition to handling returned goods, the Adjustment Department frequently receives other complaints, such as non-delivery of goods or delayed shipments. In such cases, it will forward the matter to the proper department. Complaints about delivery would properly be forwarded to the Traffic Department.

The Adjustment Department, which is sometimes called the Claims Department, also handles various other claims made by customers.

**Handling Returned Merchandise.** Customers return goods for a host of reasons. The sizes may be improperly marked. Goods may have been damaged during transportation to the addressee. The quality may have been misrepresented. The customer may have been oversold. When slow-moving stock is cleared to make room for new merchandise, there is the danger that the customer will feel that he has been cheated since his merchandise has been superseded by new designs or fashions. Delivery may have been delayed, causing inconvenience to the customer.

Each article returned by the customer must be inspected by persons trained to know their merchandise. The condition of the goods returned must be noted so that defects in quality may be detected and eliminated. These returns hurt goodwill and also profits on the sale of merchandise.

Since goodwill is a very important asset to any concern, the customer must be kept in a happy state of mind. For this reason, merchandise is usually accepted for return even though the adjustment clerk may personally feel that the return is unjustified. The person in authority who approves the return is merely carrying out the company policy of maintaining proper public relations.

In retail stores, the clerk at the adjustment counter will receive the goods directly from the customer. After a careful examination, the goods will be accepted and a credit slip issued. This slip may be exchanged for other merchandise or cash.

The duplicate of the credit slip or credit memorandum is given to the customer. The original is kept for bookkeeping records. If the goods have been sold on credit, the necessary bookkeeping entry must be made giving the customer credit for the return. The merchandise is then returned to the stockroom for restocking or other disposition.

The Traffic Department may be called upon to pick up and return to the store merchandise not brought in by the customer. The Receiving Clerk will then have to make a record of the receipt of the goods on a Receiving Ticket. The Bookkeeping Department mails a credit memorandum to the customer after securing details from the Receiving Ticket.

The return of merchandise can be lessened by more careful packing to prevent delivery damage, and by selling the customer what he wants in proper quantity and quality. When merchandise is returned due to defective quality, that is the fault of poor merchandising and correction should be made.

## Advertising and Sales Promotion

**Advertising.** Sales are made through effective advertising as the public comes to recognize a product through successful advertising campaigns. This advertising takes many forms. Newspapers, magazines, circulars, catalogues, and house organs are some of the means available. Copy has to be prepared and lay-outs arranged. The entire campaign may be taken over by an outside advertising agency if the company is not prepared to handle its own advertising.

Once the material is ready for insertion, the type of publication, the amount of space, the succession of insertions must be decided. After the contract has been let, advertisements must be followed up to discover the results.

Allied with the advertising work is sales promotion. Here the aim is to keep the product before the public by means of counter displays, posters, signs, and radio programs.

Sales may be made through the mails. As a result of advertisements, prospects frequently write in. A sales-letter campaign may be launched and people will order as a direct result of these letters.

Advertising actually influences customers to buy. It stresses the company's name and fixes it in the public mind by effective slogans or changes in old ones. If a line is well-known, larger sales are made possible and, with increased sales, prices may be lowered to increase sales still further.

**Gathering Data for Sales Promotions.** There are many methods of gathering possible sales data. The Sales Department will try to find out why people will buy certain items, how much they are willing to spend, and where and when they will buy.

Questionnaires may be sent out to a certain income group asking whether they like a certain product. If not, of what do they disapprove? Prizes may be offered for the best suggestions.

Past sales records of the merchandise may reveal essential information. Salesmen may note likes and dislikes. Complaints about faulty mechanism may be noted. Engineers may discover that a common deficiency is prevalent in a particular product. Every bit of information bearing on what the public wants is of vital interest to the Sales Department.

## THE TRAFFIC DEPARTMENT

### The Organization of the Traffic Department

Large organizations find that it is necessary to have a separate department to handle all matters pertaining to the transportation of goods.

The Traffic Department either transports goods to their destination or arranges for such transport. It also transports goods addressed to the company or arranges for their delivery by an outside agency. It is charged with the responsibility for the delivery and receipt of all shipments.

In the scope of the Traffic Department's activities are such duties as the checking of bills for freight, the filing of claims for goods lost or damaged, and the checking of storage bills presented by railroads as demurrage charges. The Traffic Department decides what type of packing will permit shipment at the lowest possible freight rate where speed is not essential.

After packing, the Traffic Department indicates the shipping directions and the route to be followed. If the shipment is delayed in transit, this department investigates the delay.

The Traffic Department prepares rate tables for Sales Department use. If goods must be hauled from the railroad yards to the receiving room, transportation must be provided by this department. When the Purchasing Department requests the status of goods ordered and shipped, the Traffic Department must be able to locate the shipment.

The Traffic Department is important and must be operated efficiently by trained personnel. The entire organization depends upon this department to provide the means of transporting raw materials, heavy machinery, or finished goods.

**The Traffic Manager.** The Traffic Manager's aim is to provide better and cheaper service for his company. He must be aware of the rules and regulations of carriers and the Interstate Commerce Commission. He keeps files of freight rates and he prepares petitions for lower freight rates for the goods packed and shipped by his company.

The Traffic Manager supervises the shipping division to see that all carrier regulations pertaining to the packing, shipping, and routing of shipments are observed. He must devise means of auditing transportation bills to prevent overcharge.

**Cooperation with Other Departments.** The Traffic Department cooperates with the Sales Department, informing it of the best sales territories. By analyzing rate adjustments from the home office or factory shipping point to the proposed sales territories comparison may be made with competitive shipping sources to the same territories. If the company has a freight advantage over a competitor, then that company's selling price will be more attractive to customers.

The Traffic Department helps the Sales Department by furnishing rate charts for the salesmen when goods are sold F. O. B. home office or factory. The salesmen are then in a position to quote the cost of the merchandise plus shipping charges.

The Traffic Department notifies the Sales Department of changes in rates. When an unfavorable territory becomes an attractive one, the Sales Department will have knowledge of the fact and proceed to develop the territory.

The department also helps to build goodwill for the company by providing prompt delivery of goods to the customer. It may, if conducted properly, notify the consignee of the date the shipment is going forward. This prepares the customer to receive the shipment.

## The Functions of the Traffic Department

**Checking Freight Bills.** The Traffic Department examines bills submitted for transporting goods to or from the company. The rate charged is scrutinized carefully for accuracy.

The weight of the shipment is checked since miscalculation of weight may result in excessive charges. The entire bill is then rechecked to make certain that the many items listed thereon have been computed correctly.

**Tracing Freight Shipments.** When goods fail to arrive, the Traffic Manager addresses the carriers and tries to find shipments delayed. The carrier has

records of the movement of shipments through connecting carriers so that eventually disposition of the shipment will be traced to its destination or present location.

When the goods are long overdue a tracer is sent out. If the shipment fails to arrive, a claim for loss is filed against the responsible carriers. The filing of the claim should not be unduly delayed as the Uniform Domestic Bill of Lading provides that claims for loss of a shipment must be filed within six months after a reasonable time for delivery has elapsed. If tracing is delayed, the owner of the goods will suffer the loss.

Data for a tracer may be obtained from the Memorandum copy of the Bill of Lading filed at the time of shipment. The Traffic Department notifies the consignee of the details of the shipment. If the shipment does not arrive, the consignee is requested to inform the shipper so that a tracer can be sent out.

The shipper then notifies by mail carriers along the route indicated on the Bill of Lading. Each agent fills in the form presented, indicating the location of the shipment when under his control. An effective system of tracing will make provision for abandoning the search as the time limit approaches for filing loss claims.

**Claims for Damaged Goods.** When goods arrive from the freight yards in damaged condition, the Traffic Department must file a claim for the amount of the damage to the goods. Merchandise is frequently damaged while in transit and settlement of claims for this cause is a normal procedure. The Traffic Manager must be able to determine the amount of the damage and secure a fair settlement for his company.

**Checking Bills for Storage.** When a shipment arrives in the freight yards, it must be removed within 48 hours or a charge for storage is made. This demurrage charge is imposed in order to keep railroad cars moving and the freight yards clear.

Large companies build "spurs" from the railroad to the company to expedite deliveries and avoid demurrage charges. The duty of the Traffic Department is to keep records of the arrival, loading, or unloading of freight cars, and the dates of notification to the railroad that the shipment has been cleared. In this way, there can be no disputes as to the validity of demurrage charges.

**Packing Goods.** The shipping room is the center to which assembled orders are brought. The shipping clerk checks the materials against his copy of the Sales Order. Packing is then in order. Usually, a Packing Slip is inserted before packing. This is for the convenience of the customer and it also acts as a check on the shipping clerk.

When goods are packed properly, the *freight classification* may be in the favor of the shipper and the cost of shipping will be lower because the risk of loss is reduced. The type of boxing desired is indicated by the Freight Tariff Guide, the carriers, and the manufacturers of containers.

The careful preparation of a shipment pays dividends. The carrier has less damaged goods in transit and the customer is satisfied. When the goods arrive broken, he must go through unnecessary trouble to report the damage and make claim. The goods are not available for sale and ill will is engendered. It is more profitable to pack properly and create good will.

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